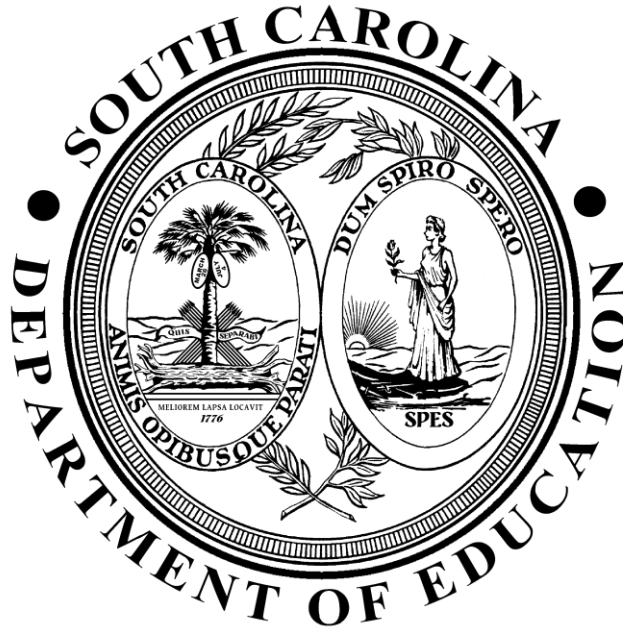


STATE OF SOUTH CAROLINA
DEPARTMENT OF EDUCATION

MOLLY M. SPEARMAN
STATE SUPERINTENDENT OF EDUCATION



Recommendations for Guidelines

Pursuant to Proviso 1.104(B) of 2021

December 31, 2021

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Authorizing Legislation

Included in the Appropriations Act of 2021-22, Proviso 1.104(B) directs the South Carolina Department of Education (SCDE) to submit recommendations to the Senate Finance Committee and the House Ways and Means Committee establishing guidelines to disburse state funding for local school district infrastructure needs by December 31, 2021. The guidelines are to include “award criteria, conditions for the awards and any match requirements.” The Proviso indicates the criteria shall include, but not be limited to:

- districts' index of taxpaying ability,
- consideration of a district's or county's per capita income,
- the age and condition of the district's existing academic buildings,
- the ability to commence construction in a timely matter, and
- the quality of the application.

The Proviso in full can be found here:

1.104. (SDE: Capital Funding for Disadvantaged Schools)

The funds appropriated for Capital Funding for Disadvantaged Schools shall be prioritized by the Department of Education pursuant to subsections (A) and (B).

(A) Up to \$15,000,000 of the funds shall be made available first to a local school district or districts with an average daily membership that is less than 5000, based on the most recent student count received by the department, and that is located within a county ranked as Tier IV pursuant to Section 12-6-3360(B) for 2018 which chooses to consolidate with another school district located in the same county, or to a school district that is under state takeover and is consolidating school buildings as directed by the State Superintendent of Education. The funds may be used to support costs directly related to the consolidation which shall include, but are not limited to, salary adjustments, facilities, debt mitigation, millage rate adjustments, transportation, technology and other factors for which the district demonstrates are necessary to complete consolidation. On or before August 1, the eligible districts must submit a preliminary plan and timeline for pursuing consolidation, including the use of the consolidation funds requested, to the Department of Education for review and approval. When the department has approved the final plan, the districts shall forward the plan to the local legislative delegation outlining the specific request that local legislation be enacted to effect the consolidation. The legislation may include, but is not limited to, composition of the consolidated board, transition procedures, and disposition and/or assumption of district assets and liabilities. Upon approval of a consolidation plan, the department shall make an initial allocation to the impacted districts and shall allocate remaining funds upon enactment of legislation formally consolidating the districts for the benefit of the consolidated district.

(B) The remaining funds shall be set aside by the department to create a source of state funding for local school district infrastructure based on need. Additional funds may be appropriated by the General Assembly with either recurring or non-recurring funds from

the General Fund, EIA or lottery. Federal funds authorized by a federal agency or authorized by the General Assembly may also be included in this fund. The fund may also accept gifts from private sources.

The department shall submit recommendations to the Senate Finance Committee and the House Ways and Means Committee to establish guidelines for the program consisting of award criteria, conditions for the awards and any match requirements by December 31. Criteria shall include, but not be limited to, consideration of a district's index of taxpaying ability, consideration of a district's or county's per capita income and the age and condition of the district's existing academic buildings as well as the ability to commence construction in a timely matter and the quality of the application.

For purposes of this provision, school infrastructure shall not include unimproved real property, centralized district administration facilities, or other facilities, including those normally identified with interscholastic sports activities.

Unexpended funds may be carried forward from the prior fiscal year into the current fiscal year to be expended for the same purposes by the department and school districts.

The General Assembly appropriated \$100,000,000 to be distributed in accordance with this proviso. Of that amount, \$85,000,000 is designated for purposes of part (B): capital improvements to disadvantaged school districts and distributed using the recommended guidelines provided below.

Recommendations for Establishing Guidelines

Based on all information reviewed and considered, the SCDE recommends that the following guidelines be established for the criteria, conditions, and match related to 1.104(B) capital funding.

Criteria

When determining the districts most in need of capital funding to support district infrastructure, those districts selected would be among those with the highest poverty, as determined by the average rankings of the index of taxpaying ability (county and district) and the county per capita income. The overall ranking is established by ranking each district using the below criteria and taking the average of the three rankings.

- *The District Index of Taxpaying Ability*
 - Specifically mentioned within the proviso is the consideration of the district index of taxpaying ability (ITA). This is the index used in the standard Education Finance Act (EFA) calculations for the base student cost funding to districts. It compares the value of taxable property in the school district with the total value of all taxable property in the state. It represents the district's relative fiscal capability to raise revenue from property tax in comparison to all districts. For a fuller description of the ITA please see the report to the Senate Educational Funding Study Committee.

- *A County Index of Taxpaying Ability*
 - For multi-district counties, the SC Revenue and Fiscal Affairs Office (RFA) calculated a county level index and ranked those by school districts-counties. A county index has some merits over a district level index, because it does not penalize the districts – past and present – who have consolidated.
- *Per Capita Income.*
 - The proviso indicates the SCDE should consider district or county per capital income. Using the 2019 per capita income information, the RFA provided this information and ranked districts from lowest (\$30,203) to highest (\$63,901).

Additional Criteria

After using the above formula to establish an overall ranking of the districts using average rankings of the index of taxpaying ability (county and district) and the county per capita income, the following additional criteria shall be considered:

Local Capacity to Pay

While there is not a specific match districts must reach, it will be required that the district is able to show they will be able to provide some amount of funding towards the capital improvement project.

The SCDE recommends that districts utilize a portion of their Federal American Recover Plan Elementary and Secondary Schools Emergency Relief (ARP ESSER) funds, if available, towards these capital improvement projects. Other available sources of funding include the constitutional debt limit of 8 percent, the opportunity for local option sales taxes for capital school projects, and the willingness of the citizens of the county and district to support bond issues to finance buildings.

Districts that have spent to their existing authority and authorized bonds should not be penalized over districts that have resisted bond referenda or had constituents who have not supported maintenance, repair, and updating of facilities.

The Age and Condition of Existing Buildings

Districts that meet criteria for this funding typically do not have comprehensive building programs in place that are sufficiently staffed to maintain facility management and planning functions or to render comprehensive assessments of their building needs and related costs.

The SCDE is using ARP ESSER funding to secure design professionals to conduct facility assessments in those districts ranked in the top 25 districts most in need using the formula established above. These professionals will conduct updated facility assessments which summarize building conditions in terms of building envelope (windows, doors, roofs, etc.), mechanical systems (electrical, plumbing, HVAC, etc.), interior finishes, fire protection and life safety, security, and accessibility. In addition to documenting current facility conditions, these assessments will include other information that inform funding priorities, to include information on future facility needs driven by demographic trends and programming requirements, comparisons of educational facilities within each district and across districts so that projects can be prioritized based on need for complete replacement or new construction, consolidation, or

major renovation, and sustainable construction cost estimates that reflect current inflationary factors and market conditions.

Ability to Commence Construction in a Timely Manner

Prior to construction, a district must take necessary steps to ensure construction can occur in a timely manner. For example, the district needs to have the land, hire a design professional, have those plans reviewed and approved by the SCDE Office of School Facilities (OSF), and procure contractors to do the work.

To assist with timely construction, the SCDE recommends any districts receiving a portion of these funds for *new* construction be required to use prototype design plans. Prototype design plans are sample or generic design plans that can be modified or adapted based on certain considerations, such as type of school, student enrollment, geographic variations, etc.

The SCDE set aside funding to secure design professionals who will create an array of site adaptable design plans to be used by the eligible districts. Utilizing state-provided design plans can result in preconstruction costs savings of three point five (3.5) percent of a project. Typically, architectural and design fees equate to seven percent of project costs. Also, using prototype plans reduces the construction timeline because less time is spent designing basic educational spacing, incorporating code requirements into plans, and OSF's reviewing and approving plans.

When considering the above criteria, the state will need to balance the desire to assist as many districts as possible with the reality that \$85 million will not cover all state's school infrastructure needs. The SCDE anticipates reviewing applications and information on the estimated costs of the entire capital project, as well as other funding the district has available to meet those costs.

Additionally, districts will need to verify other sources of funding available for the project.

Quality of Applications

The SCDE has prepared a draft of a proposed application for funds. *See Appendix A.* In addition to seeking basic information about the request and proposed project, the draft asks for the district's statement on why it should receive priority consideration for funds. The completeness of all responses and the quality of the descriptions can be a factor in making award decisions.

Additional State Level Funding Source for Capital Projects - Federal American Recovery Plan

The State Superintendent [intends to allocate](#) approximately \$38 million in state level ARP ESSER funding to supplement the Disadvantaged Schools state funding (as stated in the approved state application). As mentioned above, school districts can designate a portion of their ARP funds for capital purposes. The allocations to [school districts](#) are linked here.

ARP ESSER funds have fifteen broad categories for which the funds may be used. Ones relevant to capital projects for disadvantaged schools include:

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- School facility repairs and improvement to enable operation of schools to reduce risk of virus transmission and exposure to environmental health hazards, and to support student health needs.
- Inspection, testing, maintenance, repair, replacement, and upgrade projects to improve the indoor air quality in school facilities, including mechanical and non-mechanical heating, ventilation, and air conditioning systems, filtering, purification and other air cleaning, fans, control systems, and window and door repair and replacement.

If a district has not already included capital projects in its ARP ESSER plan, any such use would need to be placed in an amended plan and pre-approved before funds are spent.

Considerations in Setting Guidelines on Criteria, Conditions, and Match

When establishing the recommended guidelines for delivery of capital improvement funding to disadvantaged school districts, the SCDE sought assistance from the RFA office. The RFA provided information related to district index of taxpaying ability, county index of taxpaying ability, job tax credit county tiers, and per capita income information. Through collaboration with RFA, the SCDE was able to consider a broad range of data sets to determine those districts most in need of funding for capital improvement projects.

The following is a list of some of the criteria that have been considered by the SCDE:

- district's index of taxpaying ability,
- consideration of a district's or county's per capita income,
- the age and condition of the district's existing academic buildings,
- the ability to commence construction in a timely matter,
- needs at the county level (encourage consolidation; not create an unintended negative from it),
- county and district existing investment in school buildings,
- shared services or multi-county projects for smaller districts, and
- full funding available.

Appendix A: Proposed Form for Application Under 1.104(B) and ARP ESSER

Application for Capital Funds under Proviso 1.104(B) of 2021-22 and ESSER

III

Proviso 1.104 appropriates \$85 million for educational capital projects. In addition the State Superintendent intends to use approximately \$38 million in American Recovery Plan (ESSER III) funds for capital needs in districts.

The primary factor for eligibility will be an assessment of district poverty as indicated by the district index of taxpaying ability (ITA), the county ITA, and county per capita income. Other factors include the quality of the district's application, the capital needs in the district or county (in a multi-district county), the availability of other capital funds (e.g., Savannah River Site Settlement), the "shovel readiness" of the proposed project, the district's ability and willingness to provide match funding for the project, and the "funding readiness" of the project (will all sources of funding be sufficient to complete it).

As to the age and condition of district buildings, the S.C. Department of Education (SCDE) is contracting with design professionals to provide updated information, priority rankings of projects, and cost estimates. As to the ITA and per capita income, the SCDE is using information supplied by Revenue & Fiscal Affairs at the State Fiscal Accountability Agency. That information and the related rankings can be found on the SCDE website [insert link].

For districts with a new consolidation district and full effective date of July 1, the SCDE requests one application from those authorized by the new district, since these projects will likely extend beyond July 1. Please note that if SCDE receives applications from more than one district in a multi-district county, the two applications may be considered together as one to avoid disadvantage to consolidating districts.

* Required

* This form will record your name, please fill your name.

1. Please indicate which school district is applying: *

- Abbeville
- Allendale
- Bamberg County School District (1 and 2)
- Barnwell County Consolidated School District (19 and 29)
- Barnwell 45
- Chesterfield
- Clarendon Clarendon County School District (1 and 4)
- Dillon 3
- Dillon 4
- Edgefield
- Florence 2
- Greenwood 51
- Hampton
- Jasper
- Laurens 56
- Lee
- Marion
- Marlboro
- McCormick
- Saluda
- Union
- Williamsburg

Other

2. If you selected "other," please provide your district's reasoning for why it should have funds in priority over the poorer districts. *

3. District contact on this application: *

4. District contact's email address: *

5. District contact's best daytime phone number. *

6. What is the amount of capital funding being requested by the applicant? *

The value must be a number

7. What are the projects for which this funding is being requested? *

8. What is the anticipated total amount of funding that will be needed to complete the identified projects? *

The value must be a number

9. Does the district have a recent (within the last six months) cost estimate that supports the figure provided as the total cost? *

Yes

No

10. If the anticipated cost is higher than the amount being requested in this application, please indicate what other sources of funding are currently available to the district to commence and complete this project. *

11. How much funding is the district able to provide as "match" on this project? *

The value must be a number

12. The next few questions are about district match funds. Please indicate if the district is using any of these sources of funding for the listed match. *

- Borrowing funds within the district's 8% debt capacity
- Installment Purchase Revenue Bonds (for related equipment and technology)
- Local Option Education Capital Improvement or School District sales tax revenues
- Not applicable

Other

13. Will part of the district match be referendum-allowed debt? *

- Yes
- No

14. If "yes" as to referendum, please describe the date when the referendum occurred, or will occur, and the amount in the referendum. *

15. Is the district using pandemic relief funds (CARES-ESSER I, CRRSA-ESSER II, ARP-ESSER III) as match for the project(s)? *

Yes

No

16. Which pandemic relief funds is the district using as match? *

CARES-ESSER I

CRRSA - ESSER II

ARP - ESSER III

Other

17. Is the use of the pandemic funds for the project already part of an approved ESSER plan filed with the SCDE? *

Yes

No

18. How much of the district's pandemic relief funds will be used as match for the project? *

19. As of June 30, 2021, what was the district's existing total capital debt load? *

The value must be a number

20. If the district is awarded funds through this application, on what date does the district anticipate being able to start construction? (NOTE: plans require a design professional and approval by the SCDE Office of School Facilities.) *

21. What is the estimated number of months for completion of the project after the start of construction? (Please provide a number of months. NOTE: the federal funds have deadlines by which funds must be obligated, committed, and/or spent-claimed.) *

The value must be a number

22. Please indicate if the district might be eligible for funds under 1.104(A) (consolidating districts or schools in certain districts). *

- One or more districts are consolidating
- The State Superintendent declared a state of emergency in the district and schools are being consolidated.
- Not applicable.

23. You indicated districts are consolidating. Please provide information on whether and why this project that is part of this application is necessary to complete or support consolidation.

*

24. You indicated the district is consolidating schools. Please provide any additional description of the project that can assist the State Superintendent in determining how to allocate funds. *

25. Please describe why this district should receive priority consideration by the State Superintendent in deciding how to allocate these funds. If the applicant is part of a multi-district county, please also describe why the applicant's project should be given higher priority than other districts in the county. *